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SUBJECT: Journey to the West: Guangdong's Maoming City
Focuses Its Energy on Its Strengths

REF: Guangzhou 5870 and previous

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¶1. (U) Summary: In contrast to the "pie in the sky" wishful thinking we heard throughout our tour of Guangxi's top cities, officials in Guangdong's Maoming City professionally presented credible plans for further economic development based on heavy industry with some agriculture thrown in. City officials have confidence that they will be successful in building Maoming into China's largest petrochemical industrial base with a developed infrastructure, strong traditional industrial base, and educated and skilled human resources. In addition to a solid heavy industrial base, Maoming also is making strides to lead Guangdong Province in its development of agriculture. End Summary.

What a Difference a Border Makes

¶2. (U) There can be too much of a good thing. Environmentally, Guangxi is very nice, but its comparatively pristine qualities are part and parcel of its economic backwardness. As the Consulate party headed home to Guangzhou from its "journey to the west" trip to key cities in Guangxi (reftel), we rest-stopped mid-way for a meeting where we could once again take in the not so pristine atmosphere of massive industrial development. In a highly professional Powerpoint presentation, Maoming Development and Reform Commission (DRC) officials clearly laid out the city's record and prospects. Maoming is a petrochemical-focused industrial city locating in Western Guangdong. It has an area of 11,500 square kilometers and a coastal line of 222 kilometers. It has three county-level cities, one county (rural) and two urban districts. Maoming has Guangdong's third largest population of 6.7 million people. Maoming's economic development levels put it in the mid-ranks within the Province. In 2004, though Maoming's GDP was RMB 75.034 billion, ranking the 6th biggest in Guangdong, its GDP per capita ranking was only 12th at RMB 11,210, and its public revenues RMB 1.776 billion, ranking 11th. In 2005, Maoming's GDP was estimated to be RMB 80 billion, about 2.8 times of that of ¶2000. For the 11th Five-Year Planning Period, Maoming has set a goal to reach an average annual GDP growth of 12%,

and GDP per capita growth of 11%. Officials also want to lower the energy consumption for each unit of GDP produced by 15% compared with that of the 10th Five-Year Planning Period, and keep the urban unemployment rate below 4%.

13. (U) The petrochemical industry is the main pillar of the City's economy. Maoming also has very strong agriculture and leads the Province in agriculture sales by value. The Government has a very ambitious goal to become China's largest petrochemical city, and it also plans to use its harbor resources to develop a heavy industrial zone featuring petrochemical and steel ore refining.

Well-Positioned in Terms of Transportation

14. (U) The DRC Officials said Maoming is positioned to be a transportation hub in Western Guangdong. It currently has a railway connecting the City to Guangzhou and the Provincial Government is building an extra line along the current route to expand its capacity. Another railway project under construction will connect Maoming with Guangxi's Cenxi City and extend all the way to Henan Province's Luoyang City. The Central Government's long-term planning includes a railway that starts from Shanghai and goes along the coastal area to Shenzhen, and goes southwest to Maoming and ends in Zhanjiang. In addition to rail expansion, two expressways are now under construction that will extend north to connect Maoming with Wuzhou City in Guangxi, and northeast to connect with Guangdong's Yangchun and Zhaoqing cities.

Economic Pillar: Petrochemical Industry

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15. (U) As noted above, the City's economy relies predominantly on the petrochemical industry. Maoming has a petroleum refinery that has China's second largest capacity of more than 13.5 million tons annually. It is undergoing an expansion that will increase the capacity to 16 million tons. The refinery's ultimate goal is 30 million tons. Its ethylene manufacturing capacity will also increase from the current 380,000 tons to one million tons, while its ultimate target is two million tons. In 2004, the refinery refined 13.23 million tons of crude oil, produced 1.85 million tons of gasoline, and 365,000 tons of lubricant. The refinery attracts over 600 downstream enterprises to locate at the City. Out of these enterprises, 160 are large scale enterprises, and one of them ranks among China's Top 100 petrochemical enterprises. According to local government officials, the refinery alone contributed to about one-third of the salaries for local public servants.

16. (U) The Central Government decided to build a refinery in Maoming in the 1950s, when China discovered some limited oil resources and Maoming happened to have rich oil rock deposits totalling 5.1 billion tons. However, Maoming's rock was too costly to refine oil. As crude oil prices have been going up in international markets in recent years, the refinery is thinking of using new machinery to utilize the oil rock resources. Now the refinery's crude oil is shipped in by tankers. The refinery is responsible for supplying the Southwestern China area and the Pearl River Delta. Maoming used to ship its refined gasoline to those areas by road and railway. Now it is using pipelines connecting Maoming to Kunming in Yunnan Province and Guiyang in Guizhou Province. Maoming is also building pipelines to Guangzhou and Shenzhen in the Pearl River Delta (PRD).

Agriculture and other industries

17. (U) Maoming has very significant agricultural output that has ranked at the top in Guangdong for many years. Officials are proud of several famous brand names of high

quality lychee, longgan, chicken eggs and duck eggs. These products have won awards in domestic agricultural contests. In recent years, Maoming's fruit tree growing area has been expanded from 1.98 million mu (15 mu are equal to one hectare) to over 4 million mu. Due to its sub-tropical location, Maoming's fruit ripening season is about one month earlier than many other cities in China. Its fruits have also received provincial certificates as "A-level Green Food" and "Originating Place" (thus providing a geographical "brand" to the produce). In 2003, Maoming's lychee and longgan passed sanitary and phyto-sanitary tests for the U.S. and Australia markets, and producers began exporting to those markets.

¶18. (U) In addition to petrochemical industries and agriculture, Maoming also has other primary processing industries making bamboo products, dried or canned fruits, aquaculture products, fish, leather gloves, and furniture. After the Pan Pearl River Delta program was initiated in June 2004, Maoming has received more visitors from the region interested in investing there, and there is greater coordination in infrastructure development between different cities in Pan-PRD area. Compared with the Pearl River Delta, Maoming has more available land, and it is located in western Guangdong connecting the Province with Southwestern and Western China and ASEAN. Officials said the City was a good choice for investments whose market is Southwest China and ASEAN countries.

A Harbor-Based Heavy Industrial Zone

¶19. (U) The Maoming DRC is also planning to develop a heavy industrial zone in the city's harbor area based on its advantages of port potential, environment capacity, a large supply of land, and a trained work force and managerial abilities. Currently, Maoming has three ports, one is for shipping crude oil and oil products and can accommodate vessels of 30,000-tons; one is for fishing boats; and the third is a new port. The new port is located in a harbor

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with a water depth that has the potential for four berths that can receive vessels of 300,000-tons, four to six berths of 200,000-tons, and six to eight berths of 100,000-tons. The harbors are not located on river deltas and consequently have no silt concerns. Locating by a harbor area can also have benefit environmentally through the fast recycling of air and water, and is thus suitable for heavy industry. Near the harbor area, there is also a land reserve of 30 square kilometers that is suitable for large industrial enterprises and logistics companies.

¶10. (U) Maoming City is now working on infrastructure preparation for the industrial zone. Officials are planning to build a highway, a railway line, and two water-supply channels to the zone. The City will also build a power plant with an ultimate capacity of eight million kilowatt hours at the site. The Provincial Government has already approved an initial project of two million kilowatt hours. The Government is also learning from Shanghai how to build a centralized treatment plant to process wastewater from the industrial enterprises in the zone. The processed wastewater will then be discharged to into a deep ocean water area.

Lots of Human Resources

¶11. (U) The DRC officials said their 50 years of petrochemical development also has provided the City with a lot of experienced personnel for heavy industry. Maoming now already has about 10,000 managerial personnel and 300,000 workers working in the petrochemical industry. The City also has a technology college that grants bachelor degrees and there are several occupational schools. Officials say the Maoming's well-developed infrastructure and talent condition makes it an ideal cost-effective place

to develop heavy industries. Officials have strong confidence that Maoming will become China's largest petrochemical city in the future. Maoming's oil refinery's expansion project is almost sure to locate in the harbor industrial zone. Officials said there was no problem for the refinery's crude oil capacity to be further increased to 20 million tons, and it is just a matter of time to reach its ultimate goal of 30 millions. However, it will take a while for the City to initiate a steel project since Beijing increased the entry threshold for this industry due to concerns with oversupply and economic overheating in the sector. Officials put their hope of starting their steel project on Beijing's eventual loosening of restrictions in the future.

¶12. (U) With its convenient transportation network, Maoming's new industrial zone would strongly support a logistic industry that could "hijack" the cargo now flowing to Zhanjiang, one of the biggest bulk cargo ports in South China. Once Maoming's port is operational, use of its facilities would save one hundred kilometers of travel for cargo from central and Southwest China.

Comment

¶13. (SBU) Maoming has clearly chosen heavy industry for its future. The City obviously has strong advantages and potential in this sector. Full utilization of these conditions will guarantee continuous economic growth for the City. Despite its focus on heavy industry development, Maoming has also impressively developed its agriculture while maintaining its environment. This flexibility gives Maoming an advantage that its officials do not feel has been well exploited. If the Maoming Government can attract more labor-intensive investment to provide more jobs to local people, it will be in a strong position to continue its economic development without disruption.

¶14. (SBU) Maoming provides a good perspective for us to reflect on Guangxi as our "journey to the west" came to an end. Despite being a mid-tiered and relatively obscure city in Guangdong, Maoming is way ahead of its counterparts in Guangxi in terms of economic achievement and clear thinking about exploiting advantages. The "be everything to everybody" approach that we found all too prevalent in

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Guangxi is not at all prevalent in Guangdong, where municipalities know their capabilities and "industrial identities." That may be an important reason why Guangdong is the richest province in China and Guangxi languishes in 18th or 19th place.

¶15. (U) The date of transmission of this message is also the first day in the Consulate's "short march" to the eastern Guangdong cities of Shantou, Jieyang, and Chaozhou, and reports on that trip should be forthcoming some time after that trip is finished.

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